

## Editorial: Film tax credits need to be more transparent

Published: Sunday, June 06, 2010, 9:00 AM    Updated: Saturday, June 05, 2010, 9:50 PM



### The Grand Rapids Press Editorial Board

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The Hangar42 movie studio in Walker is a classic cinematic mystery.

It shouldn't be.

Details of a questionable deal, involving a proposed \$10 million in state tax credits, are obscured behind state laws that make the transaction with public money anything but transparent. We don't know if this was a smart or smarmy use of state funds.

Legislation to fix that lack of disclosure has passed the state Senate. Lawmakers in the House ought to approve the bills and Gov. Jennifer Granholm should sign them. As the Legislature debates the merit of tax incentives for economic development, everyone should agree that more information will only help.

The Hangar42 plot begins with plans for a movie studio at a former Lear auto parts factory at 2150 Alpine Ave. NW. Under the state's generous film tax credits, investors can receive 25 percent of their investment cost in movie studios and equipment. The credit smartly nurtures bricks-and-mortar investment in the state's fledgling film business, as opposed to drive-through movie-making that doesn't yield a permanent business presence in Michigan.

A group of investors that includes businessman Joe Peters bought the building for \$40 million on land contract from owner Jack Buchanan Jr. The intent was to create Hangar42 Film Studios.

The twist? The building was listed for less than \$10 million just a few weeks before the state received the group's tax credit application. The Mackinac Center for Public Policy uncovered that large discrepancy. The size of the asking price is directly related to the size of the tax credit. In other words, the higher the cost for the real estate deal, the bigger the check from the state.

That makes the sudden price spike immediately suspicious, especially since the bump would enable the buyer to cover the original asking price completely with state money. It leaves the impression of a questionable collusion between buyer and seller, an impression that could be better addressed with more information from the sealed tax credit application.

A public relations firm working with Mr. Peters (and, oddly, Mr. Buchanan) has said the higher price was based on

appraisals and improvements. City of Walker building permits show no work that would justify quadrupling the site's value.

Mr. Peters and Mr. Buchanan have not allowed Press reporters to tour the building or see the appraisals or the land contract.

After initially approving the tax credit application, the state has since rejected it. Investors claim the rejection is a temporary setback based on a clerical problem. They believe the contract will eventually be approved because the Department of Treasury, which oversees the Michigan Film Office, had previously given the green light.

If that's the case, taxpayers can rightly wonder: Why? They won't find a satisfactory answer. Spokespeople for Gov. Granholm and Attorney General Mike Cox are both silent. The Treasury Department won't release any information because of a state law that holds "the department shall not divulge any facts or information obtained in connection with the administration of a tax."

So taxpayers, who have been asked to spend their hard-earned, scarce dollars on this movie studio, have no way of judging its merit. The legislation that passed the Senate last year on a unanimous vote would bring more transparency to the Film Office. Sponsored by Sen. Nancy Cassis, R-Novi, the bills would require frequent reports from the office. In addition, they would do away with the confidentiality requirements that cloak details of tax credit applications such as this one.

Some in the Legislature are targeting tax incentive and tax credit programs. Doing away with them altogether would be a huge, jobs-killing mistake. But these programs should be smartly structured, and transparent to the public. This case highlights a problem where film credits are concerned.

Without the kind of disclosure called for in the Senate legislation, a cloud of suspicion continues to hang over Hangar42.

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